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Romania

Cotton and Products

Annual

2003

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Report Highlights:

Romania's cotton spinning industry started to decline after two years of recovery. The decrease is attributed primarily to reduced export demand for clothes. Most of the row cotton is imported from Uzbekistan, Greece, Turkey, and Syria. Since 1997, Romania has not imported any cotton from the United States. There are opportunities for shipments from the United States, however, provided that prices are competitive.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Sofia [BU1], RO

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Consumption

There are no data on consumption published by Romania, but the industry representatives estimated domestic mill purchases in 2002 to be 29,000 MTs, the first decrease after two years of recovered. For the current marketing year, total consumption is forecast at 27,000 MTs, and decrease of 7 percent. The downward trend is likely to continue into the year 2004: the AgBucharest forecast is for 25,500 MTs of cotton to be processed in Romanian mills. Other fiber producers (wool and synthetics) are also faced with the same contraction of reduced export demand for clothes.

The cotton industry in Romania has restructured, privatized and liquidated hundreds of spinning mills for more than 10 years. Many state-owned enterprises became insolvent and were unable to compete in a newly opened economy. Burdened by low productivity and inefficient plant configurations, most have been liquidated or are awaiting liquidation. Management-employee buyout organizations showed little interest as did other investors. Some Italian, German, Turkish companies, however, acquired a number of spinning mills or integrated operations, which became increasingly modernized and efficient. In the first five months of 2003 other four factories were acquired by Italian and German companies, and other two by local investors. Currently, the annual processing capacity of local cotton mills stands at roughly 30,000 MTs (of which only 35% is estimated to be cost efficient by international standards), compared to nearly 73,000 MTs in 1989.

Several international agreements relevant to the textile industry regulate Romania's trade regime, as follows:

- the textile and garment agreements with the United States and Canada within the Multi-fiber Agreement of the WTO;
- the EU Association agreement, which sets out certain maximum rates and schedule for customs legislation, providing for complete customs duty elimination by 2002 on all goods into Romanian territory (and of course into that of EU);
- the Central European Free Trade Agreement (CEFTA) – elimination of customs duty rates from 2002;
- bilateral Agreement with Turkey, the Republic of Moldova, the Russian Federation, Kazakhstan, Uzbekistan, Vietnam, China, Peru – that provide low or no duty for some imported goods (including agricultural commodities);

As disposable incomes have remained depressed, domestic sales continue to decline while sales of imported products and second hand clothing continue to increase. In this respect, a study conducted by MEMRB International Research & Consultancy Group reflected that 80% of the interviewed people had bought second hand or cheap imported clothing.

In line with a longer term strategy, the Romanian Ministry of Agriculture budgeted in 2003 funds for priority high value crops, including flax and hemp. However, the results are insignificant, since, during the spring campaign, area planted to flax was only 328 hectares (from 357 HA in 2002) and, respectively, the one to hemp just reached 1639 hectares (from 928 hectares a year earlier). A possible reason for this is that Romanian average farmers are poor and can hardly afford the adequate mix of agricultural inputs able to lead to acceptable yields. In this context, the main problem which is facing flex growers is that the crop is very vulnerable to weeds (in terms of density and variety: more than 700 per square meter), which makes control with any herbicides almost impossible.

Trade

Cotton imports constantly declined in the '90s, following the trend of the operated spinning capacity. A large part (40-50%) of the cotton imports are processed in "lohn" (whereby the local company is supplied with everything, from design to buttons, by its foreign partner, while the Romanian mill provides only the labor and equipment).

Applied import duty rates for cotton into Romania stand at zero.

The pattern of holding minimal cotton stocks continues, as spinners lack liquidity and do not buy large amounts of raw material. Also like in the recent years mills prefer to buy from traders rather than directly importing. At the end of the current marketing year, stocks will likely total 4,000 MTs.

Official statistics released by National Customs show that in the calendar year 2002, Romania imported around 25,000 MTs of cotton (HS 5201; HS 5202; and HS 5203), the main suppliers being Uzbekistan, Greece, Turkey and Syria, at CIF price varying as follows (US\$/MT)

	HS 52010010	HS 52010090
January	1177	1148
February	1071	1199
March	1069	1177
April	1065	1085
May	1025	1138
June	984	1050
July	1128	1151
August	967	1218
September	870	1257
October	1149	1137
November	1072	1108
December	1208	1196

Source: Romanian Customs Database

During the first three months of the year 2003 imports exceeded 6,213 MTs, while price averaged \$1,255/Mts.

Romania also imports significant amounts of cotton yarns from Turkey and India. The United States has not shipped any cotton since 1997 to Romania. An important reason for this situation is that local demand by spinners is highly fragmented and large lots cannot, consequently, be imported. Opportunities may arise only if cargoes can be loaded for regional distribution among Black Sea countries.

PSD, Cotton

PSD Table						
Country	Romania					
Commodity	Cotton				(HECTARES)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2002		08/2003		08/2004
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	10669	6700	10669	7000	0	5000
Production	0	0	0	0	0	0
Imports	29393	29300	0	25000	0	25000
TOTAL SUPPLY	40062	36000	10669	32000	0	30000
Exports	0	0	0	0	0	500
USE Dom. Consumption	29393	29000	0	27000	0	25500
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	29393	29000	0	27000	0	25500
Ending Stocks	10669	7000	0	5000	0	4000
TOTAL DISTRIBUTION	40062	36000	10669	32000	0	30000

Export Trade Matrix, Cotton

Export Trade Matrix			
Country	Romania		
Commodity	Cotton		
Time period	CY2002	Units:	Jan-Mar 03
Exports for:			1
U.S.		U.S.	
Others		Others	
Hungary	165		32
Germany	309		
Total for Others	474		0
Others not Listed			
Grand Total	474		0

Import Trade Matrix, Cotton

Import Trade Matrix			
Country	Romania		
Commodity	Cotton		
Time period	CY2002	Units:	
Imports for:			1
U.S.		U.S.	
Others		Others	
Uzbekistan	10050		3123
Greece	4425		1200
Syria	3385		
Turkey	3037		815
Kirgistan	2088		100
Kazakstan	731		
Tadjekistan	534		
Bourkina Fasso	260		
Total for Others	24510		0
Others not Listed	891		974
Grand Total	25401		974

Prices, cotton

Prices Table			
Country	Romania		
Commodity	Cotton		
Prices in	US\$	per uom	MT
Year	2002	2003	% Change
Jan	1158	1231	6.30%
Feb	1139	1220	7.11%
Mar	1107	1195	7.95%
Apr	1071		-100.00%
May	1085		-100.00%
Jun	994		-100.00%
Jul	1128		-100.00%
Aug	1105		-100.00%
Sep	1115		-100.00%
Oct	1136		-100.00%
Nov	1082		-100.00%
Dec	1205		-100.00%
Exchange Rate		Local currency/US \$	